ANNUAL REPORT
on Trust Companies and Savings Companies 1989

L'INSPECTEUR GÉNÉRAL
DES INSTITUTIONS FINANCIÈRES

Québec

I. Activities of Trust Companies and Savings Companies in 1989

Introduction

Since April 1, 1983, the Inspector General of Financial Institutions has been responsible for supervising and controlling financial institutions authorized to do business in Québec and for administering the laws that govern financial institutions.

For the supervision and control of the activities of trust companies and savings companies, the Inspector General is assisted by the Superintendent of Deposit-taking Institutions who is responsible for the Direction générale des institutions de dépôts.

The supervision exercised covers the companies' financial position, management, corporate practices and the application of the laws and regulators governing them.

Activities of Trust Companies

Trust companies developed in Canada through their management of others' assets. They gradually added their activities as intermediaries to their fiduciary activities by accepting deposits from individuals which they manage in a separate fund. They are the only financial institutions in Canada authorized to exercise fiduciary functions. With deregulation, the other financial institutions may now exercise those functions indirectly by holding a subsidiary or an affiliated company which is a trust company.

Trust companies, in their activities as fiduciaries, administer such assets as estates, trusts and particular mandates placed in trust by individuals or corporations. They may also be solely responsible for the safe-keeping of certain assets. Fiduciary activities are remunerated by means of a commission or fee.

As financial intermediaries, trust companies collect savings from the public through savings deposits and the issue of guaranteed investment certificates. Most of these funds are invested in securities and mortgage loans. However, under the Act revised in 1988, Québec trust companies may diversify their investment and loans portfolio under certain conditions in the following sectors: loans to individuals, loans to businesses and investment in real estate. These new forms of investment have yet to be fully developed.

Most of the revenue of trust companies is generated by these two classes of activity. Many companies also deal in real estate. Some companies also deal in securities through subsidiaries.

The Act requires that trust companies manage others' assets in separate funds. Deposits received from the public are also received in trust, but are guaranteed by the company that keeps them in a separate fund called "guaranteed trust funds". This is why a trust company's accounts are presented in three separate funds:

guaranteed trust funds, composed of deposits received from the public and the loans and investments corresponding thereto; this fund accounts for their financial intermediation activities;

company trust funds, composed of shareholders' equity, a company's borrowings and the loan and investment operations made in counterpart;

estates, trusts and agencies funds, including all other assets managed for others by trust companies and which the trust companies are required to invest under the Civil Code or, where applicable, under the instruments creating the administration. This fund, unlike the two others, does not appear in the balance sheet of a trust company.

Table A shows the overall assets administered by Québec-licenced trust companies per category of funds, and provides a summary of their income.

TABLE A
Assets Administered and Summary of Income of Trust Companies Doing Business in Québec

	1989	1988
Québec Companies:		
Number of companies	18	17
Number of establishments in Québec	115	112
Guaranteed trust funds ($M)	14 807	13 496
Company funds ($M)	1 365	1 132
Estates, trusts and agencies funds ($M)	64 497	59 765
Total income ($M)	539	503
Net earnings ($M)	126	88
Extra-provincial Companies:		
Number of companies	18	18
Number of establishments in Québec	33	34
Guaranteed trust funds ($M)	45 937	39 716
Company funds ($M)	2 953	2 351
Estates, trusts and agencies funds ($M)	141 717	124 383
Total income ($M)	1 644	1 598
Net earnings ($M)	333	272

As at December 31, 1989, 36 **trust companies** were licenced by the Inspector General of Financial Institutions to do business in Québec.

Of the 18 Québec-incorporated trust companies, 12 were licenced to receive deposits by the Régie de l'assurance-dépôts du Québec (RADQ). The other 6 Québec companies were not registered with the RADQ and, therefore, did not receive deposits in Québec.

Moreover, 18 trust companies incorporated outside Québec held a Québec licence; among them, 16 were authorized by the RADQ to receive deposits. Of these 18 extra-provincial companies, 13 were federally-chartered and 5 held charters from other provinces: 2 from Ontario, 1 from Manitoba, 1 from Alberta and 1 from Nova Scotia.

Of the 36 trust companies operating in Québec, 20 had their head offices in Québec, 11 in Ontario, 3 in Nova Scotia, 1 in Alberta and 1 in Manitoba.

TABLE B
Classification of Companies According to Place of Incorporation and Capacity to Receive Deposits as at December 31, 1989

Place of Incorporation	Taking Deposits From the Public		Not taking Deposits From the Public		TOTAL	
	1989	1988	1989	1988	1989	1988
Québec companies	12	11	6	6	18	17
Extra-provincial companies:						
— Federally-chartered	11	11	2	2	13	13
— With a charter from another province	5	5	—	—	5	5
Total	**28**	**27**	**8**	**8**	**36**	**35**

On June 8, 1989, a new company, Bonaventure Trust Inc., was incorporated in Québec. The head office of the company is in Montréal. The company was licenced by the Inspector General on August 31, 1989, and is registered with the Régie de l'assurance-dépôts du Québec.

In May 1989, Prenor Trust Company of Canada acquired most of the assets of the trust company CanWest Trust, and merged on December 31, 1989 with Vanguard Trust of Canada Limited.

During the past year, three companies authorized to operate in Québec changed their names: Atlantic Trust Company of Canada changed its name to Prenor Trust Company of Canada on May 11, 1989; la Compagnie de Fiducie Household, to Société de Trust Household (Household Trust

Company) on September 28, 1989; and Coronet Trust Company, to Sun Life Trust Company on December 22, 1989. These three companies have a federal charter.

Activities of Savings Companies

The activities of **savings companies** are limited to those of financial intermediary. Savings companies borrow the funds of the public as deposits, throught the issue of debt securities, to make loans and investments.

Table C presents the summary of assets and income of savings companies doing business in Québec.

TABLE C
Summary of Assets and Income of Savings Companies Doing Business in Québec

	1989	1988
Québec Companies:		
Number of companies	2	
Number of establishments in Québec	54	
Total assets $M	1 151	
Total income $M	47	
Net earnings $M	8	
Extra-provincial Companies and Bank Subsidiaries		
Number of companies	17	16
Number of establishments in Québec	15	12
Total assets $M	137 846	114 806
Total income $M	2 415	2 579
Net earnings $M	539	627

On December 31, 1989, 19 **savings companies** carried on activities in financial intermediation in Québec. Two of these companies were incorporated in Québec, and 17 were incorporated outside Québec. They were all licenced by the Inspector General and registered with the RADQ.

In 1989, two **sociétés d'entraide économique** already operating in Québec were continued as savings companies: Société d'épargne Métropolitaine de Montréal Inc., on March 7, 1989; and La Financière, Prêts-Épargne Inc., on December 27, 1989. They are the only two savings companies with a Québec charter.

On November 16, 1989, a new federally-incorporated company, Lloyd's Bank Canada Mortgage Corporation, was licenced to operate in Québec.

The 17 extra-provincial savings companies are federally-chartered. Eight of them are affiliated with banks.

Financial Groups

Over the last 10 years, numerous financial groups have been created in Québec and in Canada for development through subsidiaries in all the traditional financial sectors: deposits and credit, insurance, trust and securities. The emergence of these financial groups stems mainly from a search for new openings in domestic financial markets and from the increasing globalization of national markets.

The current restructuring of the financial sector has prompted the different financial groups to take a particular interest in trust companies. Most trust companies today are affiliated with financial groups. The rate of participation of financial groups in the ownership of trust companies is generally quite high, allowing them to exercice effective control.

Table D shows the participation of financial groups in the ownership of Québec trust companies.

TABLE D
Participation of Financial Groups in the Ownership of Québec-chartered Trust Companies as at December 31, 1989

Trust Company	Financial Group	Activities of Group
Bonaventure Trust Inc.	Standard Life	Insurance
General Trust of Canada and Sherbrooke Trust Company	Industrielle-Alliance Financial Corporation	Insurance/Securities
Guardian Trust Company	Groupe Coopérants	Insurance
Laurentian Trust of Canada Inc.	The Laurentian Group Corporation	Bank/Insurance/Securities
Montreal Trust Company	BCE Inc.	Industrial and Commercial Conglomerate/Securities
Société Nationale de Fiducie	Corporation financière Mutuelle des Fonctionnaires	Insurance/Securities
Desjardins Trust Inc.	Fédérations des C.P.E. Desjardins	Savings and Credit Unions/ Insurance/Securities/Investment
Savings and Investment Trust	Groupe Prêt et Revenu	Insurance/Securities
The Royal Trust Company	Trilon Financial	Industrial and Commercial Conglomerate/Bank/Insurance/ Real Estate Brokerage/Securities

Among the 12 Québec companies authorized to receive deposits, 10 belong to financial groups. The two companies not belonging to financial groups are Canadian Italian Trust and Capital Trust Corporation.

In 1989, two new financial groups participated in the ownership of trust companies.

Standard Life Insurance Company decided to form, in Québec, on June 8, 1989, a new trust company, Bonaventure Trust Inc., of which it has the exclusive ownership.

The conglomerate BCE Inc. acquired the management company Montreal Trustco Inc. from Power Financial Corporation on April 24, 1989. Montreal Trustco Inc. has the exclusive ownership of the Québec-chartered trust company, Montreal Trust Company, and of the federally-chartered trust company, Montreal Trust Company of Canada.

Financial Position and Operating Results for the 1989 Fiscal Year

The following analysis shows the highlights of the financial position and the operating results for trust companies and savings companies in 1989.

Québec Trust Companies

Although the overall assets of Québec **trust companies** increased by 10.6% in 1989, their growth has been on the wane for two years. These trust companies held assets totalling $16.2 billion as at December 31, 1989. There was significant growth for four companies in 1989: Société Nationale de Fiducie (28.8%), General Trust of Canada (18.6%), Canadian Italian Trust (16.5%) and Sherbrooke Trust Company (15.7%).

Mortgage loans increased by 11.3% in 1989 and deposits by 8.4%.

Table E gives an overview of the financial position of Québec trust companies over the last five years.

Table E
Financial Position and Operating Results of Québec Trust Companies

	1989	Change 1989/88	1988	Change 1988/87	1987	Change 1987/86	1986	Change 1986/85	1985	Change 1985/84
	$M	%	$M	%	$M	%	$M	%	$M	%
Assets:										
Cash, deposits	1.336	11.6	1.197	16.7	1.026	(2.9)	1.057	2.4	1.032	11.6
Mortgage loans	10.727	11.3	9.635	13.1	8.517	26.0	6.758	25.1	5.400	23.3
Other loans and investments	2.744	3.0	2.664	7.0	2.489	(2.1)	2.542	15.5	2.200	7.3
Subtotal guaranteed trust funds	14.807	9.7	13.496	12.2	12.032	16.2	10.357	20.0	8.632	17.4
Subtotal company funds	1.365	20.6	1.132	14.1	992	32.3	750	11.9	670	21.4
Total - Assets:	16.172	10.6	14.628	12.3	13.024	17.3	11.107	19.4	9.302	17.8
Liabilities:										
Deposits and certificates	14.073	8.4	12.985	13.1	11.480	16.7	9.837	19.8	8.210	17.1
Accrued interest	509	29.8	392	12.7	348	9.4	318	10.3	287	11.7
Other elements	225	89.1	119	(41.7)	204	1.0	202	49.6	135	56.9
Subtotal guaranteed trust funds	14.807	9.7	13.496	12.2	12.032	16.2	10.357	20.0	8.632	17.4
Other liabilities	683	30.2	524	17.5	446	36.4	327	36.8	239	2.0
Shareholders' equity	682	12.2	608	11.3	546	29.1	423	(1.9)	431	16.2
Subtotal company funds	1.365	20.6	1.132	14.1	992	32.3	750	11.9	670	1.4
Total - Liabilities and Equity	16.172	10.6	14.628	12.3	13.024	17.3	11.107	19.4	9.302	17.8
Results:										
Net investment income	282	14.2	247	14.9	215	31.9	163	1.9	160	25.0
Fees and commissions	236	(0.4)	237	0.9	235	16.9	201	21.8	165	(12.7)
Other income	21	10.5	19	(13.6)	22	29.4	17	41.7	12	9.1
Total income	539	7.2	503	6.6	472	23.9	381	13.1	337	2.7
Total expenses	440	7.6	409	9.1	375	17.9	318	13.2	281	(0.7)
Operating profits	99	5.3	94	(2.1)	96	52.4	63	12.5	56	27.3
Gains (losses) on investments	36	414.3	7	(81.6)	38	216.6	12	(68.4)	38	533.3
Earnings before income taxes	135	33.7	101	(24.6)	134	78.7	75	(20.2)	94	80.8
Income taxes	9	(30.8)	13	(53.6)	28	11.1	9	125.0	4	33.3
Net earnings	126	43.2	88	(17.0)	106	59.8	66	(26.4)	90	84.8
Return on average assets	0.82%		0.64%		0.88%		0.65%		1.00%	
Return on average equity	19.53		15.26		21.90		15.60		22.50	
Profit margin	1.83		1.79		1.78		1.60		1.86	

The assets of Québec companies remained relatively stable, with mortgage loans representing 66.3% compared to 65.9% in 1988. The relative percentage of other loans on total assets increased from 4.9% in 1988 to 6.2% in 1989. This category could be underestimated since some loans, loans to businesses in particular, are sometimes entered under the heading «Other Assets». With the increased lending powers of the companies since 1988, the number of loans to individuals and to businesses has increased significantly.

Québec-chartered trust companies operate mostly in Québec, where in 1989 they received 89.6% of their deposits and provided 82.3% of their mortgage loans.

Assets under administration as a whole increased by 7.9% in 1989. However, this is a slower rate of growth when compared with the growth rate of 16.4% noted in 1988. There was significant growth for three companies in 1989: Laurentian Trust of Canada Inc. (83.4%), Société Nationale de Fiducie (42.4%) and Desjardins Trust Inc. (30.4%). On the other hand, there was a decline in the operations of several companies.

Québec trust companies achieved net earnings in the amount of $126 M in 1989 compared to $88 M in 1988, an increase of 43.2%, mainly because of an increase in gains on investments. An extraordinary gain achieved by a single company contributed to those results. A slight increase in the profit margin, from 1.79% in 1988 to 1.83% in 1989, also contributed to the increase in net earnings.

The return on average assets reached 0.82% in 1989 compared to 0.64% in 1988. This improved financial performance is also reflected by the return on average equity, which rose from 15.3% in 1988 to 19.5% in 1989. It should be noted that these overall results do not show the individual performance of each company.

Extra-provincial Trust Companies

The total assets of all the operations in Canada of extra-provincial companies authorized to do business in Québec were $48.9 billion as at December 31, 1989, an increase of 16.2% compared to 10.8% in 1988. One quarter of this increase is explained by the integration during the year of two trust companies not operating in Québec with Prenor Trust Company of Canada. Extra-provincial companies do only a small part of their business in Québec, where in 1989 they received $2 629 M in deposits and provided $2 431 M in mortgage loans. Their trust activities increased by 13.9% in 1989, compared to 10.7% in 1988.

Table F completes the information on the financial position during the last five years of **extra-provincial trust companies** licenced in Québec.

Table F
Financial Position and Operating Results of Extra-provincial Trust Companies Doing Business in Québec

	1989	Change 1989/88	1988	Change 1988/87	1987	Change 1987/86	1986	Change 1986/85	1985	Change 1985/84
	$M	%	$M	%	$M	%	$M	%	$M	%
Assets:										
Cash, deposits	4,218	2.9	4,101	14.3	3,588	(1.9)	3,658	11.5	3,280	16.4
Mortgage loans	31,216	21.7	25,660	16.2	22,099	16.8	18,920	10.1	17,179	6.2
Other loans and investments	10,503	5.5	9,955	(0.3)	9,981	5.5	9,464	14.2	8,289	13.9
Subtotal guaranteed trust funds	45,937	15.7	39,716	11.4	35,668	11.3	32,042	11.5	28,749	9.4
Subtotal company funds	2,953	25.6	2,351	1.8	2,311	14.7	2,014	10.8	1,817	8.9
Total - Assets:	48,890	16.2	42,067	10.8	37,979	11.5	34,056	11.4	30,566	9.4
Liabilities:										
Deposits and certificates	42,675	14.5	37,264	12.4	33,154	14.0	29,088	8.9	26,716	7.9
Accrued interest	1,593	26.0	1,264	15.6	1,094	(13.0)	1,257	10.3	1,140	1.6
Other elements	1,669	40.5	1,188	(16.4)	1,420	(16.3)	1,697	90.0	893	126.6
Subtotal guaranteed trust funds	45,937	15.7	39,716	11.4	35,668	11.3	32,042	11.5	28,749	9.4
Other liabilities	825	40.5	587	(20.0)	733	71.3	428	(0.2)	429	15.6
Shareholders' equity	2,128	20.6	1,764	11.8	1,578	(0.5)	1,586	14.3	1,388	6.9
Subtotal company funds	2,953	25.6	2,351	1.8	2,311	14.7	2,014	10.8	1,817	8.9
Total - Liabilities and Equity	48,890	16.2	42,067	10.8	37,979	11.5	34,056	11.4	30,566	9.4
Results:										
Net investment income	867	15.4	751	4.4	720	17.3	614	10.6	555	24.4
Fees and commissions	585	4.3	561	4.1	539	14.4	471	12.7	418	24.0
Other income	191	(33.2)	286	125.2	127	29.6	98	7.7	91	23.0
Total income	1,643	2.8	1,598	15.3	1,386	17.2	1,183	11.2	1,064	24.2
Total expenses	1,353	7.1	1,263	14.5	1,103	16.5	947	9.1	868	20.6
Operating profits	290	13.2	334	18.0	283	19.9	236	20.4	196	43.1
Gains (losses) on investments	59	209.3	(54)	3.2	(25)	(169.0)	36	2.9	35	(14.6)
Earnings before income taxes	349	24.6	280	8.5	258	(4.9)	272	17.7	231	29.8
Income taxes	16	100.0	8	(7.0)	(1)	(102.3)	39	2.2	18	31.6
Net earnings	333	22.4	272	5.0	259	11.5	233	9.0	213	29.6
Return on average assets	0.73%		0.68%		0.72%		0.72%		0.73%	
Return on average equity	17.11		16.28		16.40		15.70		15.90	
Profit margin	1.91		1.88		2.00		1.90		1.90	

Like Québec-chartered companies, extra-provincial companies concentrated their activities in the mortgage loan market. This category of loans increased by 21.7% in 1989 to represent 63.8% of their total assets compared to 61.0% in 1988. Their other loans increased by only 1.7% in 1989, to 8.0% of their total assets (9.2% in 1988). That percentage is still higher than that allotted to other loans by Québec-chartered companies.

Net earnings made good progress in 1989, with an increase of 22.4%. This represents a return of 0.73% on average assets in 1989 compared to 0.68% in 1988. Return on average equity was 17.1% compared to 16.3% in 1988.

There was a slight increase in the profit margin, from 1.88% in 1988 to 1.91% in 1989, but especially a reversal in extraordinary items, in particular that of a company which wrote off sizeable assets in 1988. Other income, having leapt forward considerably in 1988, decreased by 33.2% in 1989.

Savings Companies

Total assets of savings companies authorized to do business in Québec were $139.0 billion as at December 31, 1989, an increase of 21.1% over 1988. The eight companies affiliated with banks held $106.8 billion, or 76.9% of the total assets. The balance was held by the two new Québec-chartered companies and by the nine federally-chartered companies, with the largest company alone holding $28.5 billion or 20.5% of the total assets. Thus, nine savings companies held 97.4% of the overall total assets.

This increase in their activities in financial intermediation is mainly because of growth in the assets of companies affiliated with banks. The new federally-chartered company authorized to do business in Québec, Lloyds Bank Canada Mortgage Corporation, contributed to that growth only marginally, as was the case for the two new Québec-chartered companies, Société d'épargne Metropolitaine de Montréal Inc. and La Financière, Prêts-Épargne Inc., which were continued as savings companies.

Table G gives an overview of the financial position of **savings companies** licenced in Québec for the last three years.

Tableau G
Financial Position and Operating Results of Savings Companies Doing Business in Québec

	1989	Change 1989/88	1988	Change 1988/87	1987
	$M	%	$M	%	$M
Assets:					
Cash, deposits	10,491	31.3	7 989	67 0	4 783
Mortgage loans	109.511	18.7	92.272	21 4	75.986
Other loans and investments	18.995	30.6	14 545	12.6	12.923
Total Assets	138.997	21.1	114 806	22.5	93 692
Liabilities:					
Deposits and debentures	127.089	22.2	104.037	28.0	81 302
Accrued interest	3.370	38.6	2.431	(60 7)	6.190
Other liabilities	3.146	(24.4)	4 160	57 0	2.650
Shareholders' equity	5.392	29.1	4.178	17 7	3.550
Total liabilities and equity	138.997	21.1	114.806	22.5	93.692
Results:					
Net investment income	2.298	(5.5)	2.431	27 8	1 902
Other income	164	10.8	148	31 0	113
Total income	2.462	(4 5)	2.579	28 0	2.015
Total expenses	1.690	0.8	1.676	30 8	1.281
Operating profits	772	(14.4)	902	22.9	734
Gains (losses) on investments	(21)	600.0	(3)	311 2	(1)
Earnings before income taxes	751	(16.5)	899	22.7	733
Income taxes	204	(25.0)	272	17 3	232
Net earnings	547	(12.8)	627	25.2	501
Return on average assets	0.43%		0 61%		
Return on average equity	11 43		16.23		
Profit margin	1.81		2.34		

Funds collected as deposits and debentures increased by 22.2% in 1989. Savings companies continued to allot most of these funds to mortgage loans which increased by 18.7% to represent 78.8% of their assets.

Overall net earnings decreased by 12.8% in 1989, mainly because of a decrease in slightly more than half of the profits of the largest savings company, Canada Trust. Mortgage Company, explained by a lower profit margin for that company. The net earnings of bank subsidiaries increased by 21.7%.

For all the savings companies, return on average assets in 1989 reached 0.43%, and return on average equity was 11.4%.

Regional Distribution of Trust Companies and Savings Companies

Table H shows the regional distribution of the establishments of trust companies and savings companies authorized to do business in Québec. Only those establishments offering services in saving are included.

Table H
Regional Distribution of Establishments* of Trust Companies and Savings Companies

Administrative Regions	Trust Companies				Savings Companies				Total			
	Québec		Extra-prov.		Québec		Extra-prov.		Number		%	Population
	1988	1989	1988	1989	1988	1989	1988	1989	1988	1989	1989	%
Abitibi-Témiscamingue	1	1				5			1	6	2.8	2.2
Bas St-Laurent	2	1				3			2	4	1.8	3.2
Chaudière-Appalaches	1	1				5			1	6	2.8	5.5
Côte-Nord	1	1				2			1	3	1.4	1.6
Estrie	8	8				2			8	10	4.6	3.9
Gaspésie - Iles de la Madeleine						1				1	0.5	1.7
Lanaudière	1	1				4			1	5	2.3	4.3
Laurentides	1	1	1	1		3			2	5	2.3	4.9
Laval	5	6	1	1			1	1	7	8	3.7	4.3
Mauricie - Bois-Francs	4	4				8			4	12	5.5	6.9
Montérégie	8	8	2	2		8	1	1	11	19	8.7	16.8
Montréal Centre	56	58	27	26		1	10	13	93	98	45.2	26.8
Nord du Québec						1				1	0.5	0.6
Outaouais	3	3	1	1		1			4	5	2.3	3.9
Québec	16	16	2	2		3			18	21	9.6	9.0
Saguenay - Lac St-Jean	5	6				7			5	13	6.0	4.4
Total	**112**	**115**	**34**	**33**		**54**	**12**	**15**	**158**	**217**	**100%**	**100%**

* Branches or counters not offering savings services are excluded, however the head office of an institution is included.
Source: Bureau de la statistique du Québec.

In 1989, trust companies had 148 establishments in Québec, 115 of them belonging to Québec companies and 33 of them to extra-provincial companies. Savings companies had 69 establishments in Québec, most of them (53) belonging to a Québec company. The number of establishments of savings companies is understated, however, since it does not take into account the establishments of the banking network used by mortgage loan companies affiliated with banks to offer their services in deposits and in mortgage loans.

It should be specified here that 57.6% of the whole network of establishments of trust companies and savings companies in Québec is concentrated in the Greater Montreal region, represented by the regions of Montréal-Centre, Laval and Montérégie, where extra-provincial trust companies and federally-chartered savings companies carry on most of their business. Although Québec trust companies, with 62.6% of their establishments, are largely concentrated in these two regions, they are also found in almost all the other administrative regions of Québec. On the other hand, 83.3% of the establishments of Québec-chartered savings companies are concentrated outside Greater Montréal.

It is anticipated that Québec companies will offer, within a framework of network agreements, a whole range of services in savings and credit and of specialized services throughout the province. This development is made possible through the new Act respecting trust companies and savings companies, the owership of companies by financial groups and the installation of new technologies.

Market Shares

A comparison of the market shares held in Québec by the various deposit institutions in deposits and in different types of loans (Table I) shows that competition among them is increasingly fiercer.

Table I
Market Shares in Québec of Deposit Institutions (In millions of dollars and percentages)

	Deposits									
	1989		1988		1987		1986		1985	
	$	%	$	%	$	%	$	%	$	%
Trust companies: (1)	14,740	15.6	13,668	15.7	12,041	15.4	10,350r	14.6	8,368r	12.8
— Québec	12,110	12.8	11,291	13.0	9,889	12.6	8,629r	12.2	6,821r	10.4
— Extra-provincial	2,630	2.8	2,377	2.7	2,153	2.7	1,731r	2.4	1,547r	2.4
Savings and credit unions:	33,870	35.8	31,523	36.3	27,475	35.0	23,743	33.4	20,846	31.8
Savings compagnies: (3)	941	1.0	864	1.0	544	0.7	484	0.7	448	0.7
Mortg. loan companies: (1)(2)	548	0.6	488	0.6	427	0.5	1,032r	1.5	948r	1.4
Chartered banks:	44,566	47.1	40,313	46.4	37,943	48.4	32,106	45.2	31,996	48.9
Savings banks: (4)	—	—	—	—	—	—	3,270	4.6	2,876	4.4
Total	**94,665**	**100.0**	**86,857**	**100.0**	**78,430**	**100.0**	**70,995r**	**100.0**	**65,482**	**100.0**

	Mortgage Loans									
	1989		1988		1987		1986		1985	
	$	%	$	%	$	%	$	%	$	%
Trust compagnies: (1)	10,919	23.4	9,482	22.4	7,592	21.2	6,075r	21.1	4,856r	20.1
— Québec	8,488	18.2	7,515	17.7	6,083	17.2	5,194r	18.1	4,298r	17.8
— Extra-provincial	2,431	5.2	1,966	4.6	1,509	4.2	881r	3.1	558r	2.3
Savings and credit unions:	17,490	37.4	16,801	39.7	15,194	42.5	12,534	43.6	10,818	44.8
Savings companies: (3)	748	1.6	691	1.6	365	1.0	383	1.3	357	1.5
Mortg. loan companies: (1)(2)	208	0.4	212	0.5	197	0.6	452r	1.6	539	2.2
Chartered banks:	17,340	37.1	15,185	35.8	12,385	34.7	8,179	28.5	6,656	27.5
Savings banks: (4)	—	—	—	—	—	—	1,121	3.9	948	3.9
Total	**46,705**	**100.0**	**42,370**	**100.0**	**35,733**	**100.0**	**28,744r**	**100.0**	**24,174**	**100.00**

	Loans to Individuals									
	1989		1988		1987		1986		1985	
	$	%	$	%	$	%	$	%	$	%
Trust compagnies: (1)	439	2.5	345r	2.1	378	2.6	208r	1.7	161r	1.5
— Québec	348	2.0	259r	1.6	241	1.7	60r	0.5	87r	0.8
— Extra-provincial	91	0.5	86r	0.5	137	0.9	148r	1.2	73r	0.7
Savings and credit unions:	5,230	29.7	5,014	30.6	4,475	30.8	3,804	31.5	3,456	31.6
Savings companies: (3)	139	0.8	136	0.8	117	0.8	73	0.6	41	0.4
Mortg. loan companies: (1)(2)	17	0.1	13	0.1	6	—	15	0.1	—	—
Chartered banks:	11,789	66.9	10,853	66.3	9,556	65.8	7,661	63.4	7,031	64.3
Savings banks: (4)	—	—	—	—	—	—	338	2.8	251	2.3
Total	**17,614**	**100.0**	**16,360r**	**100.0**	**14,533**	**100.0**	**12,085r**	**100.0**	**10,941r**	**100.0**

	Loans to Businesses and to Farmers*									
	1989		1988		1987		1986		1985	
	$	%	$	%	$	%	$	%	$	%
Trust compagnies: (1)	448	1.7	406r	1.7	390	1.9	265	1.7	180	1.3
— Québec	303	1.2	189r	0.8	203	1.0	191	1.2	122	0.9
— Extra-provincial	145	0.6	217	0.9	187	0.9	74	0.5	58	0.4
Savings and credit unions:	7,140	27.7	7,062	29.8	5,500	27.2	3,994	24.7	3,037	21.4
Savings companies: (3)	42	0.2	43	0.2	51	0.3	16	0.1	13	0.1
Mortg. loan companies: (1)(2)	1	—	6	—	1	—	—	—	—	—
Chartered banks:	18,104	70.3	16,186	68.3	14,308	70.7	11,714	72.6	10,862	76.6
Savings banks: (4)	—	—	—	—	—	—	147	0.9	82	0.6
Total	**25,735**	**100.0**	**23,703**	**100.0**	**20,251**	**100.0**	**16,137**	**100.0**	**14,174**	**100.0**

* Excluding mortgage loans to businesses and farmers.

1. Trust companies and savings companies affiliated with chartered banks are included in the consolidated data of the chartered banks.
2. The important decrease in the activities of mortgage loan companies in 1987 is explained by the absorption of a mortgage loan company by a trust company.
3. To read: «Savings companies or Sociétés d'entraide économique». The important increase in 1988 is mainly because of the merger of Québec *caisses d'établissement* within the *société d'entraide*, La Financière, Prêt-Epargne Inc.
4. The 1987 data for savings banks is included with the data for chartered banks because of their transformation into chartered banks.

Source: Bureau de la statistique du Québec

With regard to **deposits**, the market share of most groups of institutions stabilized somewhat in 1989. Banks continued to have most of the market share although their share had receded slightly since 1985. Savings and credit unions continued to rank second with an increase in market share, and trust companies increased their market share during the same period. Québec trust companies posted the best growth in market share of the entire sector of trust companies in 1989. The deposits held by savings and credit unions in 1989 amounted to $33.9 billion; those held by trust companies, to $14.7 billion, $12.1 billion of which was held by Québec companies. Mortgage loan companies[1] not affiliated with banks ranked last; they lost ground in that market with a reduced share during the same period.

Savings and credit unions and banks with their affiliated savings companies held an almost equal share of the **mortgage loans** market. The share of the credit unions had fallen since 1985, contrary to that of banks which made the most progress during the same period. Trust companies, which were very active in the mortgage loans market, also increased their share, but to a lesser degree. The growth of trust companies with extra-provincial charters was faster than that of Québec trust companies, although the latter were still more present in the Québec market. As is the case for deposits, mortgage loan companies not affiliated with banks were the weakest performers in the Québec market, since their share had fallen since 1985.

Banks continued to be strong in the **loans to individuals** market, with about two-thirds of the total loans. Ranking second, savings and credit unions held a share of about 30% of the market, which remained relatively stable. The share held by trust companies was negligible, rising from 1.5% in 1985 to 2.5% in 1989. However, the Québec companies were those most involved in loans to individuals, increasing their share from 0.8% in 1985 to 2.0% ($348 M outstanding) in 1989, whereas the share held by extra-provincial companies dropped from 0.7% to 0.5% (about $91 M outstanding) during the same period.

Banks continued to dominate the **loans to businesses** market, with a share of 70%. The share held by savings and credit unions, after a continuous increase from 1985 to 1988 to the detriment of that of the banks, decreased slightly in 1989, to 27.7%. As was the case for loans to individuals, the presence of trust companies in the loans to businesses market was slight, with only 1.7% of the total loans (about $948 M outstanding) in 1989.

To summarize, there was moderate growth in the activities of trust companies in 1989, although competition in savings and loans increased. In that context, the performance of trust companies remained satisfactory.

1 Mortgage loan companies are companies incorporated outside Quebec and licenced to operate in Quebec as savings companies.